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PAGE 01 STATE 028880

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APPROVED BY: EUR/WE:REBARBOUR

EUR-MR LAINGEN

S/SO-JHOGANSON

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FOLLOWING REPEAT MADRID 00521 (231351Z JAN 76) ACTION

BRUSSELS INFO SECSTATE 23 JANUARY 76.

QUOTE

C O N F I D E N T I A L MADRID 0521

EXDIS

FOR ASSISTANT SECRETARY HARTMAN

E.O. 11652: GDS

TAGS: OVIP, SP (KISSINGER, HENRY A.)

SUBJECT: SPAIN IN THE ADVENT OF THE SECRETARY'S VISIT

CONFIDENTIAL

PAGE 02 STATE 028880

1. SUMMARY: THE NECESSITY OF A NEW LEGITIMACY, IN THE
WAKE OF FRANCO'S UNIQUE RULE, IMPELS THE KING AND HIS
NEW CABINET, UPON WHOM THE MAIN RESPONSIBILITY DEVOLVES,
ON A COURSE OF POLITICAL DEVELOPMENT, LOOKING TOWARD

QUITE CHANGED INSTITUTIONS AND POWER RELATIONSHIPS OF A MORE DEMOCRATIC AND RESPONSIVE NATURE. THIS EFFORT IS CLOSELY LINKED WITH THE EFFORT TO ENTER EUROPE, AND SUCCESS IN EITHER REQUIRES A GOODLY MEASURE OF SUCCESS IN THE OTHER.

THE NEW ARIAS GOVT, WITH FRAGA THE STRONG FIGURE AND HE AND AREILZA THE TWIN CUTTING EDGE OF DOMESTIC AND FOREIGN POLICY, HOLDS TOGETHER REASONABLY WELL, DESPITE INEVITABLE DIFFICULTIES. THE EARLY GOING HAS BEEN MARKED BY RHETORIC TO REHABILITATE CONCEPTS LIKE DEMOCRACY AND POLITICAL PARTIES AND BY FRAGA'S RESTRAINT OF THE REPRESSIVE INSTITUTIONS OF THE FRANCO ERA (E.G., FREE AND GENERALLY RESPONSIBLE PRESS) COUPLED WITH A SALUTORY DISPLAY OF AUTHORITY WHEN NECESSARY TO RESTRAIN MODEST, BUT UNUSUAL, CHALLENGES TO PUBLIC ORDER.

THE GOS HAS WEATHERED THE EARLY CHALLENGE OF THE VOLATILE LABOR SECTOR - WHERE COMMUNISTS HAVE SOUGHT TO TAKE ADVANTAGE OF ECONOMIC GRIEVANCES. A CRITICAL TEST COMES WITH ARIAS' PRESENTATION JANUARY 28 OF THE PROGRAM TO REFORM THE ANACHRONISTIC INSTITUTIONS OF THE FRANCO ERA, ENCOMPASSING AN ADDRESS TO ECONOMIC PROBLEMS AIMED AT BOLSTERING THE MIDDLE SECTORS, THE BULWARK OF ANY PEACEFUL POLITICAL EVOLUTION, A TIMETABLE AND SCHEME OF POLITICAL REFORMS, CONSTITUTIONAL AND LEGISLATIVE, FREEING POLITICAL ACTIVITY (EXCEPT FOR THE COMMUNISTS) LEADING TO AN ELECTIVE CORTES (PARLIAMENT) ELECTED LARGELY ON THE BASIS OF UNIVERSAL SUFFRAGE PERHAPS IN MID OR LATE 1977. WE HAVE OUTLINED IN THIS MESSAGE THE TENTATIVE SHAPE, AS WE UNDERSTAND THEM, OF THE MOST IMPORTANT OF THESE PRACTICAL REFORMS, UPON WHICH HINGE THE SUCCESS OR FAILURE OF THE PROCESS.

OUR INTERESTS LIE IN A BEST CASE SCENARIO WHERE THIS CABINET, OR EVEN ITS SUCCESSOR, TAKES SPAIN DOWN
CONFIDENTIAL

PAGE 03 STATE 028880

THE UNEVEN PATH OF POLITICAL DEVELOPMENT TO WHERE SPAIN BECOMES A STABLE RESPECTED MEMBER OF THE WESTERN ALLIANCE. BUT NEITHER DOMESTIC TRANQUILITY NOR THE PERMANENCE OF SPAIN'S STRATEGIC LINKS ARE ASSURED, THOUGH THIS GOVT VIEWS THE BASES AGREEMENT AS NECESSARY AND AS A STEP TOWARD NATO. THE MINISTRY REMAINS THE ULTIMATE ARBITER AND NOW ACCEPT LIBERALIZATION. BUT LATER, SHOULD THE POLITICAL SITUATION DETERIORATE, THE AGING MILITARY LEADERSHIP, PROVOKED BY RIGHTIST IMPORTUNINGS AND LEFTIST CONFRONTATION, MIGHT MOVE, PERHAPS SETTING UP A CHAIN REACTION INVOLVING RADICALIZED YOUNGER MILITARY, IN WHICH THE FAR LEFT WOULD PRESS ADVANTAGE. END SUMMARY

2. EUROPE, UNTIL FRANCO'S DEATH, STILL BEGAN THE OTHER SIDE OF THE PYRENEES AND SPANISH POLITICAL DEVELOPMENT LAY CONGEALED. THE BENEFITS OF POLITICAL STABILITY WERE SHADOWED BY THE MAJOR CHANGES IN SPANISH SOCIETY THAT HAD RENDERED IMPOSSIBLE FRANQUISMO AFTER FRANCO. BUT FOR MOST PURPOSES, SPAIN WAS A RELATIVELY PASSIVE CONSTANT, AND ONE DEPENDENT ON U.S. FOR HER MOST IMPORTANT INTERNATIONAL LINKAGE, A SITUATION UNDISTURBED BY PROSPECTS OF DOMESTIC POLITICAL UPHEAVAL.

3. NOW ALL THAT IS CHANGED. SPAIN HAS EMBARKED ON A STEP-BY-STEP PROCESS OF POLITICAL DEVELOPMENT AND A CONCOMITANT GRADUAL EFFORT TO LEVEL THE PYRENEES AND BECOME PART OF EUROPE. TO SUCCEED IN EITHER REQUIRES A GOODLY MEASURE OF SUCCESS IN THE OTHER. NEITHER DOMESTIC TRANQUILITY NOR SPAIN'S STRATEGIC LINKAGES WITH THE U.S. ARE BY ANY MEANS ASSURED AS SPAIN PROCEEDS ON THIS NEW AND UNCERTAIN COURSE.

4. THE QUEST FOR LEGITMACY.

-- FRANCO'S RULE TOOK ON UNQUESTIONED LEGITIMACY. BUT THE INSTITUTIONS HE DESIGNED, THE UNREPRESENTATIVE CORTES (PARLIAMENT), THE OLIGARCHICAL COUNCIL OF THE REALM, AND THE HYBRID OFFICIAL SYNDICAL MOVEMENT HAD LITTLE LEGITIMACY BY 1975, AS EVENTS SINCE HIS DEATH HAVE SHOWN. TAKEN FROM A PASTICHE OF 1930'S POLITICAL THEORY, THEY

CONFIDENTIAL

PAGE 04 STATE 028880

SERVED TO INSTITUTIONALIZE THE ARBITRAL PRESENCE OF ONE MAN. FRANCO CONFERRED THE KINGSHIP UPON JUAN CARLOS, BT HE DID NOT CONFER HIS POWERS AND COULD NOT CONFER LEGITIMACY UPON A MONARCHY AN OUTDATED POLITICAL SYSTEM.

-- SPAIN IS NOT INHERENTLY MONARCHIST. REPUBLICANS AND NATIONALISTS ALIKE REJECTED THE MONARCHY, AND THE RESTORATION OF JUAN CARLOS WAS A LATTER DAY INVENTION OF FRANCO. THE EXAMPLE OF CONSTANTINE, HIS BROTHER-IN-LAW, IS BEFORE THE KING AND HE KNOWS THE FEW ENDURING MONARCHIES ARE CONSTITUTIONAL AND DEMOCRATIC, CONFERRING ONLY LIMITED POWERS UPON THEIR KINGS.

-- THE KING HAS AIMED AT THE ONLY COURSE OPEN, TO CONSTRUCT A MORE DEMOCRATIC AND RESPONSIVE INSTITUTIONAL SYSTEM OVER WHICH HE CAN REIGN, ONE THAT IS LEGITIMATED THROUGH THE BROAD SUPPORT OF THE SPANISH PEOPLE. NEITHER THE TIMES NOR THE KING'S PERSONALITY PERMIT HIM THE ROLE OF AUTHORITARIAN LEADER; THAT ROLE WOULD MORE LIKELY FALL TO A MILITARY MAN.

-- THE TEMPER OF THE COUNTRY AT LARGE AND ITS MIDDLE CLASS IN PARTICULAR FAVORS THE DEMOCRATIC ENDEAVOR, THOUGH THE

IMPORTANT LABOR SECTOR, FEELING INFLATION, HAS UNDERTAKEN A WAVE OF STRIKES AND COMMUNIST MILITANTS HAVE USED ECONOMIC GRIEVANCES AND THE AMNESTY ISSUE TO FURTHER POLITICAL ENDS. DEMONSTRATIONS, MODEST BY WORLD STANDARDS BUT UNUSUAL HERE, HAVE CAUSED SOME NERVOUSNESS BUT THE GOS' RESTRAINT AND SELECTIVE CRACK DOWNS HAVE WORKED WELL. THE KING HIMSELF HAS DONE LITTLE TO ENHANCE OR TO HARM THE GENUINE GOOD WILL THAT GREETED THE OUTSET OF HIS REIGN. BE THAT AS IT MAY, POPULAR POLITICAL ATTITUDES ARE IN THE FORMATIVE STAGE, LIKELY TO BE MUCH INFLUENCED BY UNFOLDING EVENTS.

5. THE GOVT OF THE TRANSITION.

-- THE KING HAS BEEN FAIRLY SUCCESSFUL IN SETTING THE TONE AND IN GETTING THE PROCESS OF POLITICAL DEVELOPMENT UNDERWAY. HE WISELY EXERCISED HIS CLOUT IN GETTING RID OF THE OLD GUARD FORMER CORTES PRESIDENT, BUT HIS CONFIDENTIAL

PAGE 05 STATE 028880

CHOICE OF A FORMER TUTOR, THE ENIGMATIC FERNANDEZ MIRANDA FOR THE JOB WAS QUESTIONABLE. BALKED BY THE FRANCO ERA COUNCIL OF THE REALM IN HIS EFFORT TO INSTALL HIS OWN CHOICE IN THE PRIME MINISTRY, THE KING PRUDENTLY RETAINED ARIAS. THEN THE KING PLAYED A MAJOR ROLE IN CHOOSING ARIAS' NEW AND GENERALL APERTURISTA CABINET, SPECIFICALLY IN THE CHOICE OF FRAGA AND AREILZA, THE TWIN CUTTING EDGES OF CHANGE IN DOMESTIC AND FOREIGN AFFAIRS.

-- THE KING IS CONSIDERABLY INVOLVED IN THE DISCUSSIONS OF THE PROGRAM ARIAS WILL PRESENT ON JAN 28, BUT THE LOCUS OF POWER HAS SHIFTED PERCEPTIBLY TO THE CABINET. HE HAS EFFECTIVELY CEDED THE OPERATIONAL RESPONSIBILITY FOR RUNNING THE COUNTRY AND FOR PUTTING FORWARD THE PROGRAM FOR DEMOCRATIZATION. THIS PRESUMABLY DISTANCES THE KING ENOUGH TO PERMIT HIM TO SURVIVE ANY EVENTUAL FAILURE OF THIS CABINET.

-- ACCOUNTS VARY AS TO HOW WELL THIS CABINET IS WORKING TOGETHER. FRAGA IS CLEARLY A STRONG FIGURE, WITH A NUMBER OF ALLIES IN THE CABINET. ARIAS, WHO HAS THE SURVIVOR'S INSTINCT, IS LESS A LEADER THAN A PRESIDER. AREILZA HAS DONE EXTREMELY WELL, BUT THE FINANCE MINISTER, VILLAR MIR, EXACERBATED THE LABOR TROUBLES BY PUBLICLY BLAMING THE WORKERS FOR INFLATION. ONE ACCOUNT HAS ARIAS LEANING HEAVILY ON FRAGA AND, TO HIS SURPRISE, LIKING IT. OTHERS HAVE IT THAT FRAGA, WHO ARRIVED WITH FAIRLY WELL THOUGHT OUT PLANS, HAS BEEN THWARTED TO SOME EXTENT. AT ALL EVENTS, NEGOTIATIONS OVER THE PROGRAM TO BE ANNOUNCED BY ARIAS ON JANUARY 28 ARE STILL UNDERWAY AND DISAGREEMENTS ARE INEVITABLE. WE HEAR ARIAS IS UNHAPPY WITH HIS VICE PRESIDENT FOR DEFENSE AFFAIRS,

ANOTHER FORMER TUTOR OF JUAN CARLOS, FOR FLIRTING WITH THE EXTREME RIGHT, WHICH HAS BEEN MUTTERING THE GOS IS TOO SOFT.

6. POLITICAL ACTION TO DATE - RHETORIC AND RESTRAINT

-- A CHANGE IN RHETORIC HAS ALREADY BEEN ACCOMPLISHED. SO THAT WORDS LIKE DEMOCRACY AND POLITICAL PARTIES, ANATHEMA IN THE FRANCO ERA, ARE BEING USED BY ARIAS AND CONFIDENTIAL

PAGE 06 STATE 028880

OTHER FIGURES OF THE GOVT. THERE HAS BEEN INCESSANT REFERENCE TO PARTICIPATION AND THE FORESHADOWING OF A REFERENDUM ON CONSTITUTIONAL CHANGES. THE GOS HAS BALANCED THIS WITH EMPHASIS ON RESPECTING INSTITUTIONAL ARRANGEMENTS AND LAW AND ORDER.

-- RESTRAINT HAS MARKED THE GOVT'S APPROACH TO STRIKES AND TO DEMONSTRATIONS. UNDER FRAGA'S TUTELAGE, THE POLICE HAVE HANDLED STUDENT DEMONSTRATIONS WITH MINIMUM BUT ADEQUATE FORCE. STRIKES IN THE PRIVATE SECTOR HAVE BEEN TOLERATED AS LONG AS THE ACTIVITIES OF THE WORKERS COULD BE CLEARLY SEEN TO BE DIRECTED AGAINST COMPANIES. IF A PUBLIC SERVICE IS STRUCK, THE GOVT MOVES IN QUICKLY TO RUN THE OPERATION AS IN THE CASE OF THE SUBWAY OR THEY MILITARIZE THE PUBLIC SERVICE.

-- THE PRESS IS NOW RATHER FREE - THOUGH CENSORSHIP REMAINS ON THE BOOKS - AND THE NEWSPAPERS HAVE ACTED QUITE RESPONSIBLY, A GOOD SIGN, THOUGH THE MAGAZINES ARE CLEARLY MORE SUBJECT TO EXTREMIST INFLUENCE.

-- THE GOVT POSTPONED THE CORTES ELECTION FOR A YEAR, TO PROVIDE TIME TO RESTRUCTURE THAT UNREPRESENTATIVE BODY AND FOR POLITICAL ACTIVITY TO GET UNDER WAY. THIS DID NOT SIT WELL WITH THE RIGHT, BUT WAS CRITICALLY IMPORTANT.

-- THE GOS, AGAIN IN FRAGA'S SPHERE, HAS ALLOWED ILLEGAL POLITICAL ACTIVITY IN THE FORM OF PRESS CONFERENCES BY POLITICAL LEADERS OF ALL STRIPES, GETTING THE NATION USED TO THE IDEA THAT THERE WILL BE POLITICAL PARTY ACTIVITY EXPLICITLY SANCTIONED BY LAW.

-- THE NEXT STEP WILL PROBABLY TAKE PLACE AT THE CABINET MEETING ON FRIDAY, JANUARY 23, WHEN LAWS ON FREEDOM OF ASSOCIATION AND GOVERNING MANIFESTATIONS, MAY BE ANNOUNCED.

7. THE ARIAS JANUARY 28 PROGRAM.

-- THE JANUARY 28 PROGRAM WILL BE A CRUCIAL TEST, BOTH IN ITS CONCEPTION AND IN ITS EXECUTION. WE UNDER-

CONFIDENTIAL

PAGE 07 STATE 028880

STAND THAT THE PROGRAM WILL BE TWO FOLD, AN ECONOMIC PROGRAM AIMED AT THE MIDDLE CLASS TO BOLSTER THAT BULWARK FOR AN EVOLUTIONARY POLITICAL DEVELOPMENT, AND A POLITICAL PROGRAM.

-- INASMUCH AS THE GOS WILL PROPOSE CHANGES THAT WOULD REDISTRIBUTE POLITICAL POWER AND, PERHAPS, SHIFT ECONOMIC BENEFITS, THE ULTIMATE COMPROMISES BETWEEN THOSE WHO WISH TO CLING TO THE PAST AND, THOSE, LIKE FRAGA AND AREILZA, WHO AIM FOR SOMETHING VERY DIFFERENT, WILL BE CRITICAL.

-- THE GOS INTENDS, AT LEAST INITIALLY, TO INVOLVE FULLY THE FRANCO ERA INSTITUTIONS, THE CORTES AND THE COUNCIL OF THE REALM, WHICH GIVES THEM A DANGEROUS OPPORTUNITY TO BLOCK OR SEVERELY ATTENUATE REFORMS. THE INTENT IS PUT THEM ON THE SPOT, SO THAT PRESSURES ON BEHALF OF THE PROGRAM WILL FORCE THEM TO YIELD, RATHER THAN HAVE THE RIGHT GRUMBLING TO THE MILITARY ABOUT BEING IGNORED. IF THEY DO NOT YIELD SUFFICIENTLY, A RATIONALE FOR BYPASSING THEM WILL HAVE BEEN LAID. WE ALSO SENSE A BROADER OPTICAL PURPOSE. RIGHT WING HULLABALOO WOULD ESTABLISH THE GOS' CENTRIST CREDENTIALS, AT HOME AND ABROAD, AGAINST CLAIMS BY THE PCE AND, UNFORTUNATELY AND IRRATIONALLY, THE LEFT WING DEMOCRATIC OPPOSITION, THAT LITTLE OR NOTHING HAS CHANGED.

-- CONSTITUTIONAL CHANGE. THE IDEA OF A ROYAL COMMISSION HAS BEEN DISCARDED, AT WRITING, AS UNMANAGEABLE. INSTEAD ARIAS WOULD INDICATE THAT THE GOVT WILL PROPOSE A LIMITED NUMBER OF KEY CONSTITUTIONAL CHANGES, WHICH WILL BE SUBMITTED TO REFERENDUM PROBABLY IN EARLY FALL.

-- FREEING OF POLITICAL PARTY ACTIVITY. THE LOCUS OF POLITICAL ACTIVITY WOULD BE SHIFTED BY A CHANGE IN THE LAW FROM UNDER THE AEGIS OF THE FRANCO ERA NATIONAL MOVEMENT, PROBABLY TO FRAGA'S OWN MINISTRY OF THE INTERIOR. THIS WILL PERMIT PARTIES (COMMUNISTS EXCLUDED) TO OPERATE LEGALLY WITHOUT SWEARING ALLEGIANCE TO FALANGISM, ENDING THE LEGAL MONOPOLY OF FRANCO'S NATIONAL MOVEMENT.

CONFIDENTIAL

PAGE 08 STATE 028880

-- REFORM OF THE CORTES (THE MOST IMPORTANT INITIAL CONSTITUTIONAL REFORM PROJECT). THE CORTES REPRESENTS THE FRANCO REGIME, LARGELY APPOINTIVE OR CHOSEN THROUGH SECOND OR THIRD DEGREE ELECTIONS. THE PROPOSAL WOULD RETAIN CORPORATE AND SOME APPOINTIVE ASPECTS BUT WOULD

LEAD TO A CORTES ELECTED ON THE BASIS OF SAY, EIGHTY PERCENT UNIVERSAL SUFFRAGE, EITHER ON A GENERAL BASIS OR WITHIN PRINCIPAL CORPORATE SECTORS. FRAGA HAD HOPED FOR TOTAL UNIVERSAL SUFFRAGE, BUT THIS NOW SEEMS A BIT TOO DIFFICULT TO SWALLOW AT THE OUTSET OF CONSTITUTIONAL REFORM, PERHAPS IT WOULD COME LATER. A SECOND CHAMBER, THE DO-NOTHING NATIONAL COUNCIL (OF THE NATIONAL MOVEMENT) WOULD EXIST ON THE HOUSE OF LORDS MODEL, IN A BOW TO THE INSTITUTIONS OF THE FRANCO ERA.

-- THE ELECTORAL SYSTEM. THE MESSAGE TO THE MINI-PARTIES THAT SPRING UP EVERY DAY WOULD BE COALESCE OR PERISH. THE SHAPE IS NOT CLEAR, BUT NEW ELECTORAL LAWS WOULD ESCHEW STRAIGHT PROPORTIONAL REPRESENTATION AND AIM AT DENYING MINI-PARTIES REPRESENTATION, LEADING TO FOUR OR FIVE PARTIES, SUSCEPTIBLE OF MAJORITY COALITION MAKING. THE AIM HERE IS FOR A TAME RIGHT, AND A DOMINANT CONSERVATIVE CENTER (WHICH FRAGA PROPOSES TO LEAD), BUT THE THIRD LEG, A RESPONSIBLE LEFT, WILL BE HARD TO CONSTRUCT. HOW TO ACHIEVE THE OVERALL AIM WILL BE ONE OF THE GOVERNMENT'S MOST COMPLEX, DIFFICULT AND IMPORTANT TASKS.

-- ECONOMICS. A DETERIORATING ECONOMIC SITUATION, MARKED BY GROWING UNEMPLOYMENT AND UNACCEPTABLE HIGH LEVELS OF INFLATION, MIGHT EVENTUALLY DEAL A FATAL BLOW TO POLITICAL PROCESS. THE FINANCE MINISTER, WHOM ARIAS REPORTEDLY RESPECTS, HAS THE JOB OF ATONING FOR HIS' REMARKS (PARA 5) WHICH WERE ECONOMICALLY SOUND BUT POLITICALLY CANGEROUS, BY DRAFTING A PROGRAM TO BOLSTER THE ECONOMIC POSITION OF THE MIDDLE SECTOR, INCLUDING SUMPTUARY LEVIES AND TAX REFORMS, STIMULUS TO CERTAIN GROWTH SECTORS, AND A BALANCED BUDGET, CUTTING CERTAIN GOVT EXPENDITURES WHILE MAINTAINING GOVT EMPLOYMENT LEVELS. WAGE AND PRICE POLICIES ARE UNDER DISCUSSION BUT THE GOS HAS WINKED AT CONTRACT SETTLEMENTS ABOVE ITS CONFIDENTIAL

PAGE 09 STATE 028880

GUIDELINES.

-- LABOR. IN URBAN, NOW INDUSTRIAL SPAIN, THIS KEY SECTOR - PARTLY MIDDLE CLASS AND PARTLY PROLETARIAT - HAS POSED THE FIRST MAJOR TEST. THE STRIKE WAVE HAS DIMINISHED, DUE IN GOOD MEASURE TO INTELLIGENT GOS HANDLING, BUT THE ANACHRONISTIC CORPORATE LABOR STRUCTURE BADLY WANTS REFORM AND THERE WILL BE MORE LABOR DISORDER IN THE FUTURE, SOME OF IT POLITICALLY INSPIRED. THE COMMUNIST CLANDESTINE STRONG HOLD POSES A REAL DANGER OF A TAKEOVER OF THE UNITARY LABOR STRUCTURES OF THE FRANCO ERA, STRONGLY SUGGESTING THE NEED FOR A PLURAL, FREER, LABOR STRUCTURE, TO PERMIT CONSERVATIVE, CATHOLICS AND SOCIALISTS TO COMPETE BETTER WITH THE COMMUNISTS. GOS PLANS APPEAR RATHER VAGUE AT WRITING.

-- THE PRIME MINISTRY. THE AIM IS TO SET UP A STRONG PRIME MINISTRY, ELECTED POPULARLY FOR A FIVE-YEAR TERM, LEAVING THE EXECUTIVE, IN A LOOSE PARALLEL WITH THE FRENCH MODEL, INDEPENDENT OF PARLIAMENTARY STALEMATE. BUT WE HEAR THE KING IS A BIT RELUCTANT TO LET GO OF HIS POWER OF FINAL SAY AND ALSO UNDERSTAND THE PANEL OF CONDDIDATES MIGHT BE VETTED BY THE COUNCIL OF THE REALM, A TRICKY PROCESS.

-- REGIONALISM. A ROYAL COMMISSION WOULD BE EMPOWERED TO DRAW PROPOSALS TO PROVIDE NATIONWIDE FOR A GREATER DEGREE OF AUTONOMY PARTICULARLY TO MEET ASPIRATIONS OF CATALONIA AND THE BASQUES, WHERE THE SEPARATIST ETA HAS AGAIN RESORTED TO ASSASSINATION. THE EFFORT AIMS AT A RESPECTABLE DEGREE OF AUTONOMY WITHOUT ENCOURAGING THE CENTRIFUGAL TENDENCIES IN THE SPANISH SOUL OR FRIGHTENING THE SPANISH MILITARY.

-- AMNESTY AND ANTI-TERRORISM. AMNESTY FOR "POLITICAL PRISONERS" HAS BECOME A PUBLIC RELATIONS ISSUE HERE AND ABROAD. FRAGA HAS REPORTEDLY EXPLAINED PRIVATELY THAT NOTHING CAN BE DONE ABOUT AMNESTY UNTIL THE AUTHORITARIAN LEGAL STRUCTURE THAT LUMPS POLITICAL ACTIVITY WITH SUBVERSION IS STRAIGHTENED OUT. THE GOS MAY ALSO RESTRUCTURE THE CONTROVERSIAL ANTI-TERRORISM MEASURES TO PROVIDE DUE PROCESS, BUT KEEP TOUGH MEASURES CONFIDENTIAL

PAGE 10 STATE 028880

AGAINST THE CONTINGENCY OF A RESURGENCE OF TERRORISM. AMNESTY, EXCEPT FOR ACTUAL TERRORISTS, WOULD THEN BECOME A POLITICAL CARD FOR THE GOS TO PLAY AT AN OPPORTUNE TIME.

8. THE FOREIGN CARD.

-- FOREIGN AND DOMESTIC POLICIES ARE LINKED. SPAIN WILL NOT GET INTO EUROPE UNLESS SHE MOVES TOWARDS DEMOCRACY, THOUGH SOME EUROPEAN PRESCRIPTIONS - PARTICULARLY WITH RESPECT TO COMMUNISM - ARE UNREALISTIC OR DESTABILIZING. BY THE SAME TOKEN, AREILZA AND FRAGA NEED FOREIGN SUCCESSES TO HELP SHOW THE BENEFITS OF CHANGE.

-- THE SPAIN/U.S. BASES AGREEMENT IS THE FIRST ORDER OF BUSINESS. THE GOS NEEDS A STEP TOWARD NATO AND A GOOD LOOKING QUID TO KEEP THE MILITARY REASONABLY SATISFIED AND TO MEET PUBLIC EXPECTATIONS.

-- THE GOS HAS PUBLICLY INTIMATED THAT IT WOULD PREFER, PERHAPS FOR PRACTICAL REASONS, TO ENTER THE EC BEFORE NATO. EARLY PROGRESS IS LIKELY ON INTERIM LINKAGES WITH THE EC, BUT WHERE POLITICS LEAVES OFF, ECONOMIC CONCERNS ON BOTH SIDES WILL LIKELY TAKE OVER, MAKING FOR

DELAY BEFORE SPAIN ENTERS IN FULL.

-- IF ALL GOES WELL, SPANISH POLITICAL PROGRESS COULD LEAD TO EUROPEAN ACCEPTANCE OF SPAIN IN NATO AFTER THE FIRST REPRESENTATIVE CORTES ELECTIONS IN, SAY MID-1977. BY THEN, THIS GOVT'S DESIRE TO ENTER COULD, HOWEVER, BE OVERTAKEN BY THE RELUCTANCE OF A NEW GOVT OR THE MILITARY OR BY THE TEMPTATION TO EMULATE THE FRENCH.

-- GIBRALTAR'S RETURN COULD EVENTUALLY BECOME A SPANISH QUID FOR ENTRANCE INTO NATO, THOUGH SPAIN IS LOW KEYING GIBRALTAR SO FAR. THIS ISSUE IS LINKED TO SPANISH CONCERNS ABOUT MOROCCO. SPAIN IS OUT OF THE SAHARA BUT RECOGNIZES MOROCCO WILL SOONER OR LATER PRESS FOR THE RETURN OF THE AFRICAN PRESIDIOS OF MELILLA AND CEUTA, THE LATTER STRATEGICALLY POISED ACROSS FROM GIBRALTAR.

CONFIDENTIAL

PAGE 11 STATE 028880

-- THE SPANISH, PERCEIVING IMPROVEMENT IN THE PORTUGUESE SITUATION, RESTORED FULL DIPLOMATIC TIES AND USHERED SPINOLA QUICKLY ON TO PARIS ON HIS LAST VISIT, BUT REMAINED CONCERNED THAT RENEWED INSTABILITY THERE COULD HAVE SPILL-OVER EFFECTS. THE SPANISH OFFICIAL POSITION IS, HOWEVER, ONE OF NON-INVOLVEMENT.

-- IN OTHER AREAS, THERE IS THE POSSIBILITY, BUT NOT THE CERTAINTY, THAT SPAIN MAY ESTABLISH DIPLOMATIC RELATIONS WITH ISRAEL. SHE WILL LIKELY ALSO MOVE TO ESTABLISH, IF POSSIBLE, MODEST DIPLOMATIC TIES WITH USSR.

9. WE HAVE CONCENTRATED ON THE PRACTICAL ASPECTS, PARTICULARLY THE TENTATIVE PLAN (GIVEN TO US IN CONFIDENCE), FOR ARIAS' CRUCIAL JANUARY 28 PRESENTATION, BECAUSE THE SITUATION HAS MOVED BEYOND RHETORIC, THOUGH THAT WILL NEVER BE IN SHORT SUPPLY HERE. THE KING AND THE CABINET, ON WHOM THE MAJOR BURDEN NOW FALLS, HAVE WEATHERED A SERIES OF CHALLENGES, SUFFERING SOME BRUISES BUT KEEPING THE FOREIGN AND DOMESTIC INITIATIVE SO FAR, ENOUGH TO PROVOKE THE COMMUNIST PARTY, ENGAGED IN AN ALL OUT CAMPAIGN TO DISCREDIT THE KING AND GOVT, TO SHIFT SOME OF THE PARTY LINE IN ITS QUEST FOR UNITY ON THE LEFT. BUT THERE IS A LONG WAY TO GO AND THE OUTCOME IS FAR FROM CLEAR.

10. OUR INTERESTS LIE IN A BEST CASE SCENARIO WHERE THIS CABINET, OR EVEN ITS SUCCESSOR, TAKES SPAIN DOWN THE BUMPY AND UNEVEN PATH OF POLITICAL DEVELOPMENT TO THE POINT WHERE THEY BECOME A RESPECTED, STABLE MEMBER OF THE WESTERN ALLIANCE. THE MAJOR INITIAL THREAT LIES IN THE CONGRUENCE OF SHORT TERM OBJECTIVES OF THE EXTREMES OF RIGHT AND LEFT.

-- THE FAR RIGHT, CALLED THE "BUNKER" HERE, WANTS A RETURN TO REPRESSIVE GOVT, BECAUSE THEY ARE COMFORTABLE WITH IT AND HAVE PROSPERED UNDER IT. MOREOVER, THEY AND THEIR ALLIES MAY HAVE THE POWER, THROUGH THE FRANCO ERA INSTITUTIONS, TO ATTEUATE REFORMS TO THE POINT WHERE THE EVOLUTION IS DISCREDITED AT HOME AND WHERE THE EUROPEANS WILL NOT ACCEPT SPAIN.
CONFIDENTIAL

PAGE 12 STATE 028880

-- THE COMMUNISTS (PCE) OF SANTIAGO CARRILLO - STRONG IN LABOR AND STUDENT SECTORS - PROCLAIM THEIR LOVABILITY, THEIR INDEPENDENCE FROM MOSCOW AND THEIR STRENGTH. IN SEEKING TO DISCREDIT, PARTICULARLY ABROAD, THE KING, FRAGA, AND AREILZA THE PCE, WELL ENDOWED WITH FUNDS, PLAYS MOSCOW'S GAME, KEEP SPAIN OUT OF EUROPE. THE PCE'S PROCLAIMED AIM IS A UNITED ANTI-GOS FRONT WITH THE SOCIALISTS (PSOE) AND THE LEFT-WING OF THE NASCENT CHRISTIAN DEMOCRATS, AGAIN WITH THE EUROPEANS AS WELL AS THE DOMESTIC ANGLE IN MIND.

-- THE SOCIALISTS ARE IN DISARRAY. THE PSOE, WHICH ENJOYS EUROPEAN SOCIALIST BACKING, IS MOST IMPORTANT. FELIPE GONZALEZ, ITS LEADER, HAS NO USE FOR THE PCE, BUT IS GETTING SQUEEZED ON THE UNITED FRONT ISSUE, AND PROTECTS HIS FLANK BY HARSH CRITICISM OF THE NEW GOS. AN IRRITATED GOS LOOKS FOR A SOCIALIST ALTERNATIVE BY FLIRTING WITH A SOCIALIST SPLINTER GROUP THAT BELONGS TO A FRONT DOMINATED BY THE COMMUNISTS. SOCIALIST DISARRAY MIGHT NOT MATTER IN THE SHORT RUN, BUT IT PROVIDES A GROWTH OPPORTUNITY FOR THE PCE. THE PSOE, IRRITATED BY SUPPOSED U.S. UNWILLINGNESS TO PUBLICLY SUPPORT THE PROCESS OF DEMOCRATIZATION HAS PUBLICLY CRITICIZED THE BASES AGREEMENT. PRIVATELY, GONZALEZ HAS TOLD US A DEMOCRATIC SPAIN MIGHT WELL JOIN NATO.

-- THE CENTER. THE CENTER, SPLIT BY RANCORS LEFT OVER FROM THE FRANCO ERA, PROBABLY HOLDS THE PLURALITY, GIVEN SPAIN'S CATHOLIC ROOTS AND MIDDLE CLASS. FRAGA MOVES TO BUILD A CENTER-RIGHT POLITICAL FORCE. HIS CHIEF RIVALS FOR THE CENTER, THE DIVIDED BUT POTENTIALLY STRONG CHRISTIAN DEMOCRATS, RANGING FROM CONSERVATIVE TO LEFTISH, AT LAST EDGE TOWARD ACCOMMODATION. WITH THE SHIFT IN THE POLITICAL SPECTRUM, THE CHURCH, THOUGH TROUBLED BY A MINORITY OF RADICAL PRIESTS, BECOMES AN IMPORTANT CENTRIST FORCE AS THE GOS MOVES TOWARD CHURCH ATTITUDES. BOTH CHURCH AND GOS (WHICH NEEDS THE CHURCH'S MORAL SUPPORT) WISH TO RESOLVE LONG STANDING DIFFERENCES AND MOVE TOWARD DISESTABLISHMENT, BUT THE CHURCH WILL BE CAUTIOUS UNTIL IT IS CONFIDENT THAT DEMOCRATIZATION PROCEEDS APACE.
CONFIDENTIAL

PAGE 13 STATE 028880

11. THE MILITARY.

-- THE SPANISH MILITARY REMAINS THE ULTIMATE ARBITER AND ITS ACQUIESCENCE OR SUPPORT IS CRUCIAL TO THE SUCCESS OF THE REFORM PROCESS, JUST AS ITS DISCONTENT WITH IT WOULD FIGURE PREDOMINANTLY IN ANY WORST CASE SCENARIO. HAVING PLEDGED LOYALTY TO JUAN CARLOS AND BEING UNUSED TO COUPS, THE MILITARY LEADERSHIP APPEARS TO ACCEPT LIBERALIZATION, SO LONG AS PUBLIC ORDER IS NOT THREATENED AND SO LONG AS THE COMMUNISTS ARE NOT LEGALIZED.
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-- NEITHER APPEARS LIKELY IN THE NEAR RUN. MODEST GRUMBLING IN THE MILITARY AT UNACCUSTOMED STRIKES AND DEMONSTRATIONS HAS BEEN PRESUMABLY ASSUAGED BY THE SUCCESS OF FRAGA'S PUBLIC ORDER POLICY. THE PCE - WHOSE VOTING STRENGTH IN A FREE ELECTION IS USUALLY ESTIMATED AT AROUND 10 TO 12 PERCENT - DOES NOT HAVE THE ALLIES TO FORCE ITS WAY INTO SHARED POWER, OR INDEED THE POLITICAL PROCESS, IN THE NEAR RUN. BUT THE LEFT -GIVEN A DETERIORATION IN THE POLITICAL PROCESS -COULD PRECIPITATE THROUGH A CHALLENGE TO PUBLIC ORDER, A TAKE OVER BY THE MOST CONSERVATIVE MILITARY LEADERS, WHO APPEAR LIKELY TO CONTROL THE MILITARY OVER THE NEXT TWO YEARS. A SPANISH GENERALS COUP, REPOSING THE PROBLEMS OF THE FRANCO ERA, WOULD BE HARD PUT TO ATTAIN LEGITIMACY, AND THE PCE WOULD PUSH ITS ADVANTAGE. IN THE RESULTANT INSTABILITY, THE END OF THIS SCENARIO MIGHT BELONG TO RADICALIZED YOUNGER OFFICERS, EVEN NOW DISTANT IN THEIR THINKING FROM THE MILITARY'S CIVIL WAR GENERATION LEADERSHIP AND OVER WHOM THE FAR LEFT MIGHT COME TO POSSESS INFLUENCE.
STABLER
UNQUOTE KISSINGER

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